



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY

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SECNAVINST 3900.40B
OCNR 26D

30 April 1987

SECNAV INSTRUCTION 3900.40B

From: Secretary of the Navy

Subj: POLICY AND ASSIGNMENT OF RESPONSIBILITIES FOR THE
INDEPENDENT RESEARCH AND DEVELOPMENT PROGRAM

Encl: (1) DoD Instruction 3204.1 of 1 Dec 83

1. Purpose. To provide information and guidance for the implementation of enclosure (1), and to issue Department of the Navy (DON) policy and assign responsibilities for the management of the Independent Research and Development (IR&D) Program.

2. Cancellation. SECNAVINST 3900.40A.

3. Policy. To maintain its technological advantage and to ensure effective future defense capabilities, the Department of Defense (DoD) must aggressively employ all resources that can contribute to the development of future weapons systems including the independent research and development programs of American industry. Specifically, the IR&D programs of DoD contractors will be thoroughly reviewed and evaluated for applicability to current and future Navy and Marine Corps needs, as well as for technical quality as required by enclosure (1). Because of the importance of IR&D to the Navy, the following principles apply to the industry IR&D program. The DON will:

a. Make maximum use of industry IR&D programs by integrating the IR&D program with the Navy program plans.

b. Make industry aware of the military threat, requirements and problems facing the Navy and Marine Corps in order that industry can plan and carry out IR&D that fills Navy and Marine Corps needs.

c. Encourage basic research and innovative work by DoD contractors in their IR&D programs. This includes encouragement of industry contracts to academic institutions for basic research that supports the contractor's IR&D program.

d. Recognize the review and evaluation of DoD contractor IR&D programs as a valuable part of the DON Research, Development, Test, and Evaluation Program. The review process keeps the Navy abreast of technological advances and the resulting feedback to the contractors ensures that the IR&D program is kept aligned with significant military needs.

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e. Give management attention and support to the IR&D review and evaluation process by providing qualified, credible, high level evaluators, ensure that evaluations are timely and thorough and give official recognition and credit to the evaluators.

4. Responsibilities

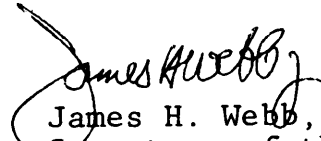
- R) a. The Assistant Secretary of the Navy (Research, Engineering and Systems) (ASN(R,E&S)) and Assistant Secretary of the Navy (Shipbuilding and Logistics) (ASN(S&L)) are the DON IR&D Policy officials responsible for disseminating DON policy guidance on technical and negotiation matters essential to the administration of the DON IR&D Program.
- R) b. The ASN(R,E&S) or his/her designee shall be responsible for all IR&D technical policy and guidance matters within the DON.
- R) c. The ASN(S&L) shall be responsible for all IR&D and Bid and Proposal (B&P) negotiation/acquisition policy and guidance matters in conformance with enclosure (1), within the DON. The ASN(S&L) or his/her designee is assigned responsibility as the IR&D/B&P Negotiation and Acquisition Program Manager in the Navy. This responsibility includes overall assessment of a contractor's IR&D/B&P proposed program, conducting IR&D/B&P advance agreement negotiations, incorporating IR&D technical scores and advisory technical comments into the negotiation process, and preparation of DON input to the annual DoD Report to Congress on IR&D Costs and B&P Costs.
- R) d. The Chief of Naval Research (CNR) is assigned responsibility as the IR&D Technical Program Manager in the DON and as the Departmental IR&D manager designated in accordance with sub-section H4c of enclosure (1). The responsibilities include evaluation of contractor IR&D projects and programs, dissemination of IR&D information within the DON, dissemination of Navy threat and requirements information to industry, and acting as the DON liaison in accordance with sub-sections H4c and H2 of enclosure (1).
- A) e. DON activities with ongoing Navy research and development programs shall provide assistance as required by the CNR in the conduct of IR&D project description evaluations and on-site review of IR&D programs.
- A) f. The Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) are responsible for providing threat and requirement information to the CNR for industry use in IR&D programs.

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5. Action

a. The CNR shall assign responsibilities for IR&D to Navy activities and obtain threat and requirement information from the CNO and the CMC for dissemination to industry as appropriate. (R)

b. Addressees will be responsible to the directions of the CNR and support assigned IR&D responsibilities. (R)


James H. Webb, Jr.
Secretary of the Navy

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Department of Defense Instruction USDR&E

SUBJECT: Independent Research and Development

- References:
- (a) DoD Instruction 5100.66, "Establishment of Policy for, and Administration of, Independent Research and Development Programs (IR&D)," January 7, 1975 (hereby canceled)
 - (b) Title 10, United States Code, Section 2358 NOTE (Public Law 91-441, Section 203, DoD Appropriation Authorization Act, 1971)
 - (c) Defense Acquisition Regulation (DAR), Section XV
 - (d) DoD Directive 5129.1 "Under Secretary of Defense for Research and Engineering," November 29, 1978
 - (e) DoD Directive 3200.12, "DoD Scientific and Technical Information Program," February 15, 1983
 - (f) DoD Instruction 7700.17, "Report to the Congress on IR&D/B&P Advance Agreements Negotiated with Defense Contractors," April 12, 1974
 - (g) DoD 7110.1-M, "DoD Budget Guidance Manual," July 8, 1982, authorized by DoD Instruction 7110.1, October 30, 1980

A. PURPOSE

This Instruction replaces reference (a), updates DoD policy for contractor recovery of independent research and development (IR&D) costs, establishes the Technical Evaluation Group (TEG) and the Tri-Service Negotiation Group (TSNG), prescribes the charter for the IR&D Policy Council (enclosure 1), and assigns IR&D responsibilities.

B. APPLICABILITY

This Instruction applies to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to collectively as "DoD Components"). The term "Tri-Service," as used herein, refers to the Army, Navy, and Air Force.

C. DEFINITIONS

1. IR&D Policy Council. An organization responsible for developing and disseminating DoD policy and guidance essential to the efficient administration of IR&D and related bid and proposal (B&P) activities.
2. Lead Department for Technical Evaluation. The Military Department responsible for arranging and conducting onsite reviews and for coordinating and summarizing technical evaluations of project descriptions in a contractor's IR&D technical plan.
3. Lead Department for Tri-Service Negotiation. The Military Department responsible for arranging, coordinating, and conducting the negotiation of advance agreements for IR&D and B&P required by reference (b).

Enclosure (1)

D. POLICY

1. The costs incurred for IR&D projects and B&P are recognized by the Department of Defense as a necessary cost of doing business, particularly in a high-technology environment. Through support of contractors' IR&D and B&P programs, consistent with the cost principles established in the Defense Acquisition Regulation (DAR) (reference (c)), the Department of Defense seeks to:

a. Ensure the creation of an environment that encourages research and the development of innovative concepts for DoD systems and equipment that complement and broaden the spectrum of concepts developed internally in the Department of Defense.

b. Develop technical competence in two or more contractors who then can respond competitively to any one DoD requirement.

c. Contribute to the economic stability of its contractors by allowing each contractor the technical latitude to develop a broad base of technical products.

2. The Department of Defense encourages Tri-Service participation in technical plan evaluation, onsite review, and IR&D and B&P advance agreement pre-negotiation to foster technical interchange and uniformity of treatment of contractors by DoD Components.

a. The basic purpose of IR&D technical evaluation is to assess the reasonableness and technical quality of the contractors' IR&D programs and to determine the IR&D projects' potential military relationship (PMR).

b. The objective of the onsite review is twofold: first, to permit face-to-face technical dialogue between government and industry peers; and second, to confirm the technical plan evaluation ratings through onsite evaluation of a sampling of the contractor's IR&D projects.

3. IR&D projects that lead to reduction in acquisition and support costs of defense systems and equipment shall be given the same consideration as is given to projects exploring the solution of critical performance deficiencies in U.S. military capability.

E. PROCEDURE

To assist the DoD Components in coordinating the DoD contract R&D and in-house R&D programs with IR&D, a computer-based IR&D data bank has been established at the Defense Technical Information Center. The IR&D data bank is not a real-time reporting mechanism, but a centralized body of information on projects already underway. It is useful in identifying what IR&D is being pursued and by whom. DoD Component staff who plan and introduce new in-house or contract R&D projects are encouraged strongly to search the IR&D data bank to determine whether the proposed work duplicates contractor IR&D efforts.

F. TECHNICAL EVALUATION GROUP

1. Organization and Management

a. The TEG shall be formed by the Military Departments' IR&D managers (subsection H.4.c., below), and its chair shall be appointed by the Under Secretary of Defense for Research and Engineering (USDR&E) from the Office of the Deputy Under Secretary of Defense (Research and Advanced Technology) (ODUSD(R&AT)) (paragraph H.1.b., below).

b. The TEG shall meet at least twice in each calendar year and at the call of the chair.

2. Functions. The purpose of the TEG is to devise and monitor the procedures and methodology of the IR&D technical evaluation process.

G. TRI-SERVICE NEGOTIATION GROUP

1. Organization and Management

a. The TSNG shall be formed by the senior members of the IR&D and B&P negotiation staff of each Military Department, and its chair shall be the person responsible for the IR&D function assigned to the Directorate for Cost, Pricing, and Finance, Office of the Deputy Under Secretary of Defense (Acquisition Management) (ODUSD(AM)).

b. The TSNG shall meet at least twice in each calendar year and at the call of the chair.

2. Functions. The purpose of the TSNG is to identify and resolve problems that affect Tri-Service IR&D and B&P negotiations.

H. RESPONSIBILITIES

1. The Under Secretary of Defense for Research and Engineering, consistent with DoD Directive 5129.1 (reference (d)), shall:

a. As chair of the IR&D Policy Council, convene the Council and take appropriate actions to carry out its mission. In support of the Council:

(1) The Deputy Under Secretary of Defense (Research and Advanced Technology) shall:

(a) Develop policy, supporting data, and rationale for all technological aspects of IR&D and B&P.

(b) Coordinate with DUSD(AM) representatives on all IR&D and B&P matters.

(c) Represent the OSD with industry and others on all technological aspects of IR&D and B&P.

(d) Coordinate with other federal agencies on the technological aspects of procurement policies affecting IR&D and B&P.

(e) Provide surveillance and policy for the IR&D data bank (DoD Directive 3200.12, reference (e)).

(2) The Deputy Under Secretary of Defense (Acquisition Management) shall:

(a) Develop policy, supporting data, and rationale for all business aspects of IR&D and B&P. This includes providing for:

1 Surveillance and administration over IR&D and B&P reports to Congress (DoD Instruction 7700.17, reference (f)).

2 Development of policy, practices, and procedures for negotiation of advance agreements.

3 Preparation of input for modification of IR&D and B&P cost principles (DAR 15-205.35 and DAR 15-205.3, reference (c)).

4 Coordination with the Office of Management and Budget (OMB) and other federal agencies on the accounting and business aspects of any OMB policies affecting IR&D and B&P.

(b) Coordinate with DUSD(R&AT) representatives on all IR&D and B&P matters.

(c) Represent the OSD with industry and others on any accounting or business aspects of IR&D and B&P.

b. Appoint a chair from the ODUSD(R&AT) who, with the Military Departments' IR&D managers (paragraph H.4.c., below), shall form the TEG.

2. The Technical Evaluation Group shall:

a. Establish, subject to the approval of the IR&D Policy Council, criteria and methodology to be used uniformly by the Military Departments for performing technical evaluations, establishing quality ratings of contractor IR&D programs, and making PMR determinations.

b. Designate the lead Department for technical evaluation for each contractor.

c. Establish uniform procedures for debriefing contractors whose IR&D programs have been reviewed.

d. Provide guidance on the content and format for submitting contractors' IR&D technical plans and on the conduct of onsite reviews.

e. Establish a schedule for submission of contractors' IR&D technical plans.

f. Establish, before each calendar year, the annual schedule for onsite reviews.

g. Establish procedures for providing the designated Tri-Service negotiator with a technical evaluation of each contractor's IR&D program for use in structuring the IR&D advance agreement with that contractor.

h. Establish procedures for providing the Defense Logistics Agency (DLA) with technical evaluations of contractor-submitted IR&D project descriptions to support negotiations of advance agreements as required by law.

i. Provide assistance to contracting officers as needed to determine the PMR of B&P effort.

j. Provide assistance to the Defense Contract Audit Agency and contracting officers to resolve cost classification questions involving IR&D and B&P.

k. Establish the content and format of the IR&D data bank, subject to IR&D Policy Council approval.

l. Invite the National Aeronautics and Space Administration to provide a representative to the TEG.

3. The Tri-Service Negotiation Group shall:

a. Designate the lead Department for Tri-Service negotiation for each contractor.

b. Maintain a master list of contractor locations and responsible activities for which negotiated advance agreements for IR&D and B&P costs are required by Pub. L. 91-441 (reference (b)).

c. Review proposed changes relative to the assignments for negotiations of IR&D and B&P advance agreements.

d. Ensure that the technical evaluation is used as a factor in the negotiation of IR&D and B&P advance agreements.

4. The Secretary of each Military Department shall:

a. Direct Departmental review of IR&D technical plans furnished by contractors and submission of written evaluation reports of such IR&D plans to the lead Department.

b. Submit, in the research, development, test, and evaluation budgets, estimates of expenses required to support the technical evaluation of contractors' IR&D programs, as prescribed in DoD 7110.1-M (reference (g)).

c. Designate a Departmental IR&D manager who shall act as the Military Department's liaison in carrying out the responsibilities set forth in subsection H.2., above, and who shall:

(1) Designate the organizations within the Military Department that shall evaluate each contractor's IR&D projects.

(2) Ensure an effective evaluation of the contractor-submitted IR&D project descriptions.

(3) Arrange for, and participate in, onsite IR&D reviews, as required.

(4) Ensure that a current distribution list for IR&D brochures is maintained.

d. If assigned lead Department responsibility:

(1) Verify that the overall evaluation of a contractor's IR&D projects is comprehensive enough to judge the technical quality of the contractor's program.

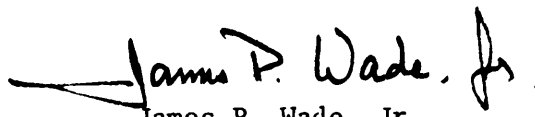
(2) Provide a lead Department determination of the PMR of IR&D projects.

(3) Conduct onsite reviews, at least once every 3 years, of contractors with whom the Department of Defense negotiates IR&D advance agreements.

5. Under the operational control of the Director, DLA, and in accordance with USDR&E policy guidance, the Defense Technical Information Center shall maintain and operate the IR&D data bank.

I. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Forward two copies of implementing documents to the Under Secretary of Defense for Research and Engineering within 120 days.


James P. Wade, Jr.
Acting Under Secretary of
Defense for Research
and Engineering

Enclosure - 1
Charter of the Independent
Research and Development Policy Council

CHARTER OF THE INDEPENDENT
RESEARCH AND DEVELOPMENT POLICY COUNCIL

A. PURPOSE

This charter prescribes the mission, composition, and administration of the IR&D Policy Council.

B. MISSION

The mission of the IR&D Policy Council is to develop and disseminate DoD policy and guidance essential to the efficient administration of IR&D and related B&P activities. This policy and guidance shall include such factors as the proper level of required DoD administrative support, an outline of the goals of IR&D and B&P, the mechanisms to be employed to increase or decrease the overall level of effort, guidance necessary to ensure valid potential military relationship determinations, appropriate negotiation policies, and response to congressional inquiries.

C. COMPOSITION

The members of the IR&D Policy Council shall be the Under Secretary of Defense for Research and Engineering, who shall serve as chair; the Director, Defense Advanced Research Projects Agency, who shall serve as vice chair; the Principal Deputy Under Secretary of Defense for Research and Engineering; the Assistant Secretary of Defense (Comptroller); the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics); the Deputy Under Secretary of Defense (Acquisition Management); the Deputy Under Secretary of Defense (Research and Advanced Technology); and the Assistant Secretaries of the Army (Research, Development, and Acquisition), Navy (Research, Engineering, and Systems) and (Shipbuilding and Logistics), and Air Force (Research, Development, and Logistics). Representatives from the Office of Management and Budget; Office of Science and Technology Policy, Executive Office of the President; and the National Aeronautics and Space Administration shall be invited to participate as advisors.

D. ADMINISTRATION

1. The Under Secretary of Defense for Research and Engineering shall appoint an executive secretary to the IR&D Policy Council. The chair of the TEG normally shall be so designated.

2. The executive secretary to the IR&D Policy Council shall receive from members any items for discussion; shall prepare the agenda and minutes of each meeting; and shall obtain the chair's approval of the agenda and minutes. The executive secretary also shall act as coordinating agent for the implementation of Council decisions.

3. The IR&D Policy Council shall meet during the 2nd half of each calendar year to establish the IR&D and B&P objectives and guidelines for the next calendar year. Other meetings of the Council shall be held at the call of the chair.

4. The IR&D Policy Council shall have two permanent working groups: (1) the TEG, composed of the Military Departments' IR&D managers and a USDR&E-appointed chair; and (2) the TSNG, composed of the senior Military Departments' IR&D negotiation staff members and a DUSD(AM)-appointed chair.

5. Ad hoc working groups may be established as required by the IR&D Policy Council.